

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

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SUBJECT: Approval of Minutes of the December 6, 2001  
Investment Committee, Open Session

ITEM NUMBER: 3

ATTACHMENT(S): 1

ACTION: X

DATE OF MEETING: February 6, 2002

INFORMATION: \_\_\_\_\_

PRESENTER(S): Chairperson

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Proposed minutes of the Investment Committee meeting held in open session December 6, 2001 are submitted as Attachment 1.

**PROPOSED  
MINUTES OF THE  
INVESTMENT COMMITTEE MEETING  
OF THE  
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM  
DECEMBER 6, 2001  
OPEN SESSION  
BOARD ROOM  
7667 FOLSOM BOULEVARD  
SACRAMENTO, CALIFORNIA**

**COMMITTEE MEMBERS PRESENT**

Gary Lynes, Chairperson  
George Fenimore  
Paul Krasnow  
Marty Mathiesen  
Karen Russell  
Jay Schenirer  
Carolyn Widener  
Annette Porini, representing Director of Finance, Tim Gage  
Louis Willhoit, representing State Controller, Kathleen Connell  
Curt Robinson, representing Superintendent of Public Instruction, Delaine Eastin  
Christine Solich, representing State Treasurer, Philip Angelides

**OTHER BOARD MEMBERS OR REPRESENTATIVES PRESENT**

Anne Stausboll  
Jennifer DuCray-Morrill

**STAFF PRESENT**

James Mosman, Chief Executive Officer  
Christopher Ailman, Chief Investment Officer  
Chris Waddell, Chief Counsel  
Elleen Okada, Director of Investment Administration and External Relations  
Ed Derman, DCEO, External Affairs and Program Development  
Doug Wills, Staff Counsel  
Michelle Cunningham, Director of Fixed Income  
Mike DiRe, Director of Real Estate  
Steven Tong, Director of Internal Equities  
Real Desrochers, Director of Alternative Investments  
Richard Rose, Principal Investment Officer  
Glenn Hosokawa, Investment Officer  
Andy Iseri, Investment Officer  
Jim Hurley, Investment Officer  
Mary Ann Avansino, Administrative Assistant

**OTHERS PRESENT**

Allan Emkin, Pension Consulting Alliance  
Nori Gerardo Lietz, Pension Consulting Alliance  
Doug Le Bon, Pathway Capital Management  
Pat Geyer, CRTA

Ellen Logue, CTA, Retired  
Michael Green, CTA  
Bev Carlson, CTA  
Loretta Toggenburger, UTLA, Retired  
Dorothy Moser, CTA/NEA, Retired  
Susan Goff, CRTA  
Edna White, CRTA  
Steve DePue, CTA  
Lois Shive, CTA  
Elizabeth Mackenzie, CRTA  
Bill Collins, CTA

A quorum being present, Chairperson Lynes called the open session meeting to order at 8:35 a.m.

I. **ANNOUNCEMENTS** (Item 2)  
There were no announcements.

II. **APPROVAL OF MINUTES OF THE NOVEMBER 8, 2001 INVESTMENT COMMITTEE, OPEN SESSION** (Item 3)  
MOTION duly made by Mr. Mathiesen, seconded by Ms. Porini and carried to approve the minutes of the November 8, 2001, Investment Committee, Open Session as presented.

III. **REAL ESTATE – REVISED INVESTMENT POLICY** (Item 4)  
Mr. DiRe reviewed written proposed revisions to the Real Estate Investment Policy. He discussed changes including increasing the types of equity structures in which CalSTRS can own real estate assets, expansion of the flexibility in the leverage policy in order to match opportunities in the marketplace, definition of the role of independent fiduciaries, and streamlining the approval process of large transactions. Discussion ensued.

MOTION duly made by Mr. Mathiesen, seconded by Mr. Fenimore and carried to adopt the resolution to approve the revised Real Estate Investment Policy as presented.

Ms. Geyer spoke from the audience stating that the Committee should be cautious in investing in real estate because the cycle may have reached the top of values.

IV. **CURRENCY TASK FORCE – OVERVIEW OF CURRENCY HEDGING** (Item 5)  
Ms. Okada, Ms. Cunningham, Mr. Hosokawa, and Mr. Iseri reviewed the objectives of the currency task force. They reported that the objectives are to develop and formalize CalSTRS' philosophy toward currency management and to develop a policy and implementation plan. Members of the task force include the Callan Associates, Ms. Okada, Ms. Cunningham, Mr. Hosokawa, Mr. Iseri, Ms. Taniguchi, and Mr. Depner. Issues discussed included identifying the major currencies, the size of the currency markets, CalSTRS' exposure, and an outline of the project going forward.

V. **CREDIT ENHANCEMENT PROGRAM – ACTIVITY STATUS REPORT** (Item 6)  
Mr. Rose presented the written report.

VI. **REAL ESTATE – ACTIVITY STATUS REPORT** (Item 7)

Mr. DiRe and Mr. Hurley presented updates to the written report. As an update to acquisitions and dispositions, they reported that the San Francisco Waterfront Partners, LLC had been funded and that the Vista Del Lago Apartments had been sold.

- VII. **ALTERNATIVE INVESTMENTS - ACTIVITY STATUS REPORT** (Item 8)  
Mr. Desrochers reviewed the written report and stated that staff had made a \$215 million commitment under delegation of authority to Blackstone Capital Partners IV L.P.
- VIII. **REPORT OF THE CHIEF INVESTMENT OFFICER** (Item 9)  
Mr. Ailman discussed the decrease in value of Enron. He further reported that the portfolio increased in value in the prior month.
- IX. **DRAFT AGENDA FOR FEBRUARY INVESTMENT COMMITTEE MEETING** (Item 10)  
Mr. Ailman reviewed the draft agenda for the February Investment Committee meeting.
- X. **OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC** (Item 11)  
There were no statements from the public.
- XI. **MOVE TO CLOSED SESSION**  
Chairperson Lynes recessed the meeting at 9:50 a.m. and reconvened into closed session.
- XII. **ADJOURNMENT**  
Chairperson Lynes announced that while in closed session, the Committee discussed matters pertaining to investment decisions. There being no further business to conduct, Chairperson Lynes adjourned the meeting at 10:55 a.m.

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Jack Ehnes, Chief Executive Officer and Secretary to the Teachers'  
Retirement Board

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Gary Lynes, Chairperson